GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:205
ANSWERED ON:30.11.2015
Prices of Natural Gas
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the existing mechanism/formula for fixing the prices of domestic natural gas for users;
(b) whether the Government has received requests from domestic gas producers/companies in deep and ultra- deep water blocks for revision of domestic natural gas prices;
(c) if so, the details thereof and the reasons therefor;
(d) whether the Government proposes any roadmap to bridge the gap between the imported price and domestic price of gas particularly when we are importing large quantities of gas and if so, the details thereof; and
(e) whether the Government proposes to change the existing gas price fixation formula and incentivize the companies operating in deep/ultra-deep and difficult oil and gas blocks and if so, the details thereof ?

Answer

(a) Government of India has notified the New Domestic Natural Gas Pricing Guidelines, 2014 which provides for a formula for calculation of domestic natural gas price on six monthly basis. A copy of New Domestic Natural Gas Pricing Guidelines, 2014 is enclosed.
(b) & (c) Yes Madam. After the notification of New Domestic Natural Gas Pricing Guidelines, 2014, some of the producers operating in deep water, ultra deep water and High Pressure High Temperature (HPHT) blocks have requested to allow them freedom to sell gas produced from such fields on market determined prices. They have made such request on the ground that production of gas from such field entails higher costs and also involves higher risk.
(d) Domestic price of natural gas is linked to the prices at major hubs and tries to balance the interests of producers as well as consumers. The price of imported LNG is dependent on crude price (Brent/JCC) as well as demand and supply of LNG in international market.
(e) Recognizing the higher costs and higher risks involved in extracting gas from different areas such as deep, ultra deep and HPHT areas, Government while approving new domestic natural gas pricing mechanism in October, 2014 had decided that a premium would be given on the gas price determined as per the approved formula in respect of new discoveries with an aim to incentivize the domestic production of natural gas from such areas.
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